

**Recapture of Investment Credit**  
**(Including Energy Investment Credit)**  
▶ **Attach to your income tax return.**

OMB No. 1545-0166  
Expires 8-31-88

Attachment  
Sequence No. **65**

Name(s) as shown on return

Identifying number

| Properties | Kind of property—State whether recovery or nonrecovery (see the Instructions for Form 3468 for definitions).<br>If energy property, show type. Also indicate if rehabilitation expenditure property. |
|------------|--|
| A          |  |
| B          |  |
| C          |  |
| D          |  |
| E          |  |

|                              | Computation Steps:<br>(see Specific Instructions)  | Properties |   |   |   |   |
|------------------------------|--|------------|---|---|---|---|
|                              |  | A          | B | C | D | E |
| Original Investment Credit   | 1 Original rate of credit . . . . .  |            |   |   |   |   |
|                              | 2 Date property was placed in service . . . . .  |            |   |   |   |   |
|                              | 3 Cost or other basis . . . . .  |            |   |   |   |   |
|                              | 4 Original estimated useful life or class of property . . . . .  |            |   |   |   |   |
|                              | 5 Applicable percentage . . . . .  |            |   |   |   |   |
|                              | 6 Original qualified investment (line 3 times line 5) . . . . .  |            |   |   |   |   |
|                              | 7 Original credit (line 1 times line 6) . . . . .  |            |   |   |   |   |
|                              | 8 Date property ceased to be qualified investment credit property . . . . .  |            |   |   |   |   |
|                              | 9 Number of full years between the date on line 2 and the date on line 8   |            |   |   |   |   |
| Computation of Recapture Tax | 10 Recapture percentage (from instructions) . . . . .  |            |   |   |   |   |
|                              | 11 Tentative recapture tax (line 7 times line 10) . . . . .  |            |   |   |   |   |
|                              | 12 Add line 11, columns A through E . . . . .  |            |   |   |   |   |
|                              | 13 Enter tax from property ceasing to be at risk, or for which there was an increase in nonqualified nonrecourse financing (attach separate computation) . . . . .   |            |   |   |   |   |
|                              | 14 Total—Add lines 12 and 13 . . . . .   |            |   |   |   |   |
|                              | 15 Portion of original credit (line 7) not used to offset tax in any year, <b>plus</b> any carryback and carryforward of credits you can now apply to the original credit year because you have freed up tax liability in the amount of the tax recaptured (Do not enter more than line 14—see instructions) . . . . . |            |   |   |   |   |
|                              | 16 Total increase in tax—Subtract line 15 from line 14. Enter here and on the proper line of your tax return.  |            |   |   |   |   |

**General Instructions**

(Section references are to the Internal Revenue Code, unless otherwise noted.)

**Paperwork Reduction Act Notice.**—We ask for this information to carry out the Internal Revenue laws of the United States. We need it to ensure that taxpayers are complying with these laws and to allow us to figure and collect the right amount of tax. You are required to give us this information.

**Purpose of Form.**—Use Form 4255 to figure the increase in tax for the recapture of investment credit for regular and energy property. You must refigure the credit if you took it in an earlier year, but disposed of the property before the end of the recapture period or the useful life you used to figure the original credit. You must also refigure the credit if you returned leased property (on which you had taken a credit) to the lessor before the end of the recapture period or useful life.

You must refigure the credit if you changed the use of property so that it no longer qualifies as regular or energy investment credit property. For example, you must refigure the credit if you change the use of property from business use to personal use, or if there is any decrease in the percentage of business use of investment credit property. See sections 47(a)(3) and 47(a)(5)(C) for information on recapture for progress expenditure property. Also, see the instructions

for line 13 regarding recapture if property ceases to be at risk, or if there is an increase in nonqualified, nonrecourse financing related to certain at-risk property placed in service after July 18, 1984.

If certain "listed property" (i.e., transportation property, entertainment, recreation or amusement property, or certain home computer equipment) placed in service after June 18, 1984, ceases to be used more than 50% for business, you may have to recapture investment credit taken on the property. See section 280F for details.

An election to be treated as an S corporation does not automatically trigger recapture of investment credit taken before the election was effective. However, the S corporation is liable for any recapture of investment credit taken before the election.

If property on which you took both regular and energy investment credit ceases to be energy credit property, but still qualifies as regular investment credit property, you need only refigure the energy investment credit. However, if you took both credits, and you dispose of the property, or the property ceases to be both energy and regular investment credit property, you must refigure both credits.

If you are an S corporation, a partnership, or an estate or trust that allocated any or all of the investment credit to the beneficiaries, you must give your shareholders, partners, or beneficiaries the information they need to refigure the credit. See regulations sections 1.47-4, 1.47-5 and 1.47-6.

**Partners, shareholders and beneficiaries.**—If you are a partner, shareholder, or beneficiary, you must refigure the credit.

**Line 1.**—Enter the rate you used to figure the original credit from the tables below:

### Regular Investment Property

Qualifying property acquired or constructed and placed in service . . . . . 10%

Be sure to include any ESOP credit, or other credits listed under the special rules above.

See section 46(b)(4) for the rates for qualified rehabilitation expenditures made after 1981.

### Energy Investment Property

Alternative energy property, specially defined energy property, recycling equipment, shale oil equipment, equipment for producing natural gas from geopressured brine, cogeneration equipment, and intercity buses . . . . . 10%

Qualified hydroelectric generating equipment . . . . . 11%

Solar and wind equipment acquired or constructed before 1980 . . . . . 10%

Solar and wind equipment, ocean thermal equipment, and geothermal equipment acquired or constructed after 1979 . . . . . 15%

**Line 2.**—For both recovery and nonrecovery property, enter the first day of the first month, and the year, that the property was available for service.

**Line 3.**—Enter the cost or other basis that you used to figure the original credit.

**Line 4.**—Enter the estimated useful life that you used to figure the original credit for nonrecovery property. Enter the class of property for recovery property.

**Line 5.**—Enter the applicable percentage that you used to figure the original qualified

### Recovery Property

| If number of full years on line 9 of Form 4255 is: | The recapture percentage for: |                               |
|--|-------------------------------|-------------------------------|
|  | 3-year property is            | Other than 3-year property is |
| 0  | 100                           | 100                           |
| 1  | 66                            | 80                            |
| 2  | 33                            | 60                            |
| 3  | 0                             | 40                            |
| 4  | 0                             | 20                            |

**Decrease in Business Use.**—If you take investment credit for property and the percentage of business use in a later year falls below the percentage for the year placed in service, you are treated as having disposed of part of the property and may have to recapture part of the investment credit.

For example, if you are a calendar-year taxpayer who bought a \$21,000 automobile in August 1984 and used it 90% for business, your investment credit for 1984 would have been \$900 (90% of the \$1,000 limit for automobiles placed in service from June 19, 1984, through April 2, 1985). If business use in 1985 fell to 60%, you are treated as having disposed of one-third  $((90 - 60) \div 90)$  of the automobile on January 1, 1985 (since business use is computed on a tax-year basis and a decrease in business use is deemed to take place on the first day of the tax year). Multiply the recapture percentage from the table above (100%) by one-third and enter the result (33.3%) on line 10 of the form.

**Line 12.**—If you have used more than one Form